

Message Text

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PAGE 01 LIBREV 00857 091843Z

64

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-03 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 PA-01 PRS-01 /124 W

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FM AMEMBASSY LIBREVILLE

TO SECSTATE WASHDC 6500

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

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AMEMBASSY LAGOS

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AMEMBASSY TEHRAN

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AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ENRG, OPEC, GB

SUBJ: OPEC MINISTERIAL CONFERENCE

1. ON JUNE 9, PRESIDENT BONGO PRESIDED AT OPENING OF
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44TH OPEC MINISTERIAL CONFERENCE, AND FIRST EVER TO BE

HELD IN GABON. BONGO'S SPEECH, WHICH WAS LARGELY CATALOGUE OF GABON'S ECONOMIC PROGRESS IN LAST FEW YEARS AND PROSPECTS FOR FUTURE, CONTAINED LITTLE OF INTEREST TO ASSEMBLED DELEGATIONS. BONGO DID SAY THAT OPEC COUNTRIES HAVE LOST 35 PERCENT OF PURCHASING POWER BECAUSE OF DECLINE IN VALUE OF DOLLAR, WHILE AT SAME TIME SUBMITTING TO 100 PERCENT INCREASE IN PRICE OF IMPORTS. THUS, IT COMPLETELY FALSE TO CLAIM OPEC COUNTRIES CAUSE OF CURRENT WORLD ECONOMIC CRISES. BONGO ENDED SPEECH BY SAYING OPEC SHOULD SAY YES TO DIALOGUE AND NEGOTIATION, AND NO TO CONFRONTATION AND INTIMIDATION.

2. MORE INTERESTING SPEECH WAS GIVEN BY OUTGOING VENEZUELAN PRESIDENT OF CONFERENCE HERNANDEZ, WHO IN BRIEF REMARKS SAID THAT OPEC CURRENTLY GOING THROUGH DIFFICULT PERIOD OF TREMENDOUS STRESS AND THAT MEMBERS MUST NOT TAKE ACTION THAT WOULD HURT GOALS OF ORGANIZATION. MEMBERS MUST ACT IN UNISON TO SOLVE CURRENT PROBLEMS, AND CONTINUED DIALOGUE WITH CONSUMING COUNTRIES IMPORTANT. AT END OF OPENING SESSION, GABONESE MINISTER OF MINES M'BOUY-BOUTZIT WAS ELECTED PRESIDENT OF 44TH CONFERENCE BY ACLAMATION, AND CONFERENCE WENT INTO CLOSED WORKING SESSION.

3. ON JUNE 7, MEETING OF EXPERTS CONCLUDED ITS WORK ON CONFERENCE AGENDA. CHIEF QUESTION LIKELY TO BE WHETHER OR NOT TO ABANDON DOLLAR AS REFERENCE PRICE FOR OIL. NO ONE IN CORRIDORS IS TALKING ABOUT PRICE INCREASE, BUT RATHER PRICE CORRECTION IN ORDER TO BRING PURCHASING POWER BACK UP TO JANUARY LEVEL WHEN PRICE FREEZE INSTITUTED. EXPERTS HAVE REPORTEDLY PREPARED TWO ALTERNATIVES FOR MINISTERS - A) USE OF SDR'S AS BASE; AND B) USE OF GENEVA II SOLUTION ADOPTED IN JUNE 1973 BETWEEN MAIN OIL PRODUCERS AND COMPANIES AUTOMATICALLY ADJUSTING PRICE OF OIL EACH MONTH ON BASIS OF RELATIVE VALUES OF ELEVEN DIFFERENT CURRENCIES. REPORTEDLY, ONLY KUWAIT AGAINST TAKING DECISION NOW, PREFERRING THAT STUDIES ON REPERCUSSIONS OF SUCH A MOVE BE UNDERTAKEN FIRST. QUESTIONS OF WHEN NEW SYSTEM WOULD TAKE EFFECT AND WHETHER IT WOULD BE RETROACTIVE LEFT TO MINISTERS.

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4. SECOND MAIN ISSUE ON AGENDA QUESTION OF UNIFORM PRICE. DIFFERENT PRICES BASED ON QUALITY OF OIL, DISTANCE FROM MARKETS, ETC., WERE EASY TO MAINTAIN IN TIME OF GROWING DEMAND, BUT CURRENT SLACK PERIOD HAS CAUSED PROBLEMS. THUS ADOPTION OF ONE PRICE WILL BE DISCUSSED, WHICH COULD HAVE EFFECT OF CAUSING SLIGHT DECREASE IN OVERALL PRICE.

5. THIRD MAIN QUESTION WILL BE NATURAL GAS. REPORT ON NATURAL GAS MARKET WILL BE PRESENTED TO CONFERENCE, AND CONFERENCE WILL DISCUSS WHETHER OR NOT TO ADOPT COMMON PRICE FOR NATURAL GAS.

6. QUESTION OF COOPERATION BETWEEN CONSUMERS AND PRODUCERS AND SECRETARY KISSINGER'S RECENT PROPOSALS HAVE BEEN TOPICS OF CONSIDERABLE DISCUSSION IN CORRIDORS AND AT PRESS CONFERENCES. IN GENERAL, CONFERENCE MEMBERS LOOK AT KISSINGER PROPOSALS AS POSITIVE, AND AS INDICATION THAT THIRD WORLD SOLIDARITY HAS HAD EFFECT. ALGERIAN ENERGY MINISTER BELAID ABDESSELAM DECLARED UPON ARRIVAL IN LIBREVILLE THAT KISSINGER PROPOSALS WERE STEP IN RIGHT DIRECTION, BUT THAT IT WAS IMPORTANT TO SEE IF THIS WAS ONLY CHANGE IN TACTICS, OR RATHER CHANGE IN SUBSTANCE. IF ONLY TACTICS HAD CHANGED, A NEW CONFERENCE COULD NOT SUCCEED. LATTER, MORE CRITICAL SIDE OF STATEMENT HOWEVER REPORTEDLY BEING EMPHASIZED BY ABDESSELAM IN HIS PRIVATE TALKS WITH CONFERENCE MEMBERS.

7. OTHER SUBJECTS THAT DELEGATES ARE DISCUSSING IN CORRIDORS ARE LIKELIHOOD OF NEW MEMBERS SUCH AS CONGO, MEXICO OR PERU BEING ADMITTED TO OPEC IN FUTURE, AND POSSIBILITY OF FURTHER PRODUCTION CUT BACKS IN ORDER TO MAINTAIN PRICE. POSSIBLE PRICE RISE AT END OF CURRENT FREEZE IN SEPTEMBER ALSO BEING DISCUSSED, AND M'BOUY-BOUTZIT STATED AT PRESS CONFERENCE THAT SPECIAL CONFERENCE MIGHT BE CALLED IN LATE SUMMER TO CONSIDER THIS ISSUE. FINALLY, THERE ARE CONTRADICTIONARY OPINIONS ON PRECISE SIGNIFICANCE OF ABSENCE OF SAUDI YAMANI AND IRANIAN AMUZEGAR AS DELEGATION HEADS. MOST OPINION IS THAT CONFERENCE WORK ON PRINCIPAL QUESTIONS ON CURRENT AGENDA WILL PROCEED NORMALLY EVEN WITHOUT THEIR PRESENCE. IT CLEAR HOWEVER THAT BECAUSE OF THEIR ABSENCE LIMITED OFFICIAL USE

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FINAL DECISIONS WILL BE LACKING IN FULL RING OF AUTHORITY AND THAT ACTION ON POTENTIALLY MORE DIVISIVE ISSUES SUCH AS PRODUCTION LEVELS WILL BE DEFERRED. JIDDA AND TEHRAN MAY WISH TO COMMENT ON EXTENT TO WHICH ABSENCES YAMANI AND AMUZEGAR DUE TO FORMER ACCOMPANYING KING KHALID TO IRAQ AND LATTER'S INVOLVEMENT IN IRANIAN ELECTIONS OR WHETHER OPEC POLITICS A FACTOR. COUNTRYMAN

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